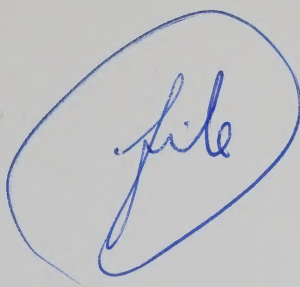


AR04

ANNUAL REPORT

1972



Beaver



ENGINEERING



ENGINEERING

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FINANCIAL HIGHLIGHTS

	<u>1972</u>	<u>1971</u>
Sales	\$ 9,965,283	\$ 7,938,226
Net Profit	347,246	304,898
Earnings per share58	.51
Dividends per share14	.14
Orders booked	10,578,481	9,289,171
Backlog as of Dec. 31	2,914,910	2,304,410
Capital Expenditures — Net	275,774	199,607
Depreciation	132,009	91,487
Working Capital	1,461,942	1,352,599
Receivables	1,923,580	1,731,673
Inventory	664,966	240,446
Facilities Net	1,069,275	901,511
Shareholders' Equity	2,451,553	2,188,314
Shares Outstanding Dec. 31	602,150	602,100
Equity / Share	4.07	3.63

For the information of shareholders, the valuation day value of the capital stock for capital gains tax purposes as published by the Department of National Revenue, Taxation, is \$6.50.

president's report



1972 Results

Your company, Beaver Engineering Limited, increased sales, earnings, orders booked and backlog which are the normal criteria for measuring progress in this industry.

(,000 omitted)	1972	1971	Increase
Sales	\$ 9,965	\$ 7,938	25.5%
Net Profit	347	305	13.8%
Orders Booked	10,578	9,289	13.9%
Backlog (Dec. 31)	2,915	2,304	26.5%

During 1972 several very important investments of both time and money were made to lay the base for earning increased profits in subsequent periods. Some of these are discussed below:

Wholesale Division

We negotiated a very satisfactory purchase of the inventory and certain of the fixed assets necessary for us to continue on in an industrial wholesale pipe and fittings business which was started 97 years ago. There was no payment for the business or for good will.

This Wholesale Division of Beaver was acquired in May 1972 and was put under the capable direction of Earle Kelley in July. Sales increased substantially for each of the first seven months. Our confident forecast is for sales in excess of 2½ million dollars in 1973.

During 1972 we purified our inventory, replacing stagnant or slow moving stock with fast moving merchandise. Product lines have been expanded and new lines added.

Service and Branches

G.E. Blair, a Vice President of Beaver, has assumed responsibility for our Service and Branch operations.

Our service business again increased in 1972 and is currently running well over three million dollars per year.

New branches were opened in Ottawa, Ont., Dartmouth, N.S. and Moncton, N.B.

In February, 1973, we were awarded a three-year contract to service all the heating, ventilating and air conditioning equipment at the Toronto International Airport.

We feel there will be a substantial move on the part of the industrial and commercial community to enter into such contracts to ensure the availability of skilled, competent, screened tradesmen (with foremen if necessary) to carry out their renovation, maintenance and service activities.

New branches are planned for 1973.

Subsidiaries

In 1973 we plan to integrate all of our subsidiary companies into either existing Beaver departments or, in the case of Avron Gas Services, into a separate Gas Services Division of Beaver Engineering Limited.

This will result in economies in these operations and will eliminate the necessity of some duplication which would be essential if separate company status were to be maintained.

Computer Program

The increased volume of business Beaver has enjoyed since we installed our "mini" computer type of accounting facility in 1969 has made it impossible for us to maintain the up-to-date records and the management information we need. Hence, in 1972, we acquired a sophisticated large capacity Univac 9300 series computer.

Our own Electronic Data Processing staff, with the aid of consultants, have reviewed our system and already some of our operations are programmed on the new equipment.

General

During 1972, our investment in accounts receivable and inventory increased by over \$615,000. The increase in accounts receivable although less than our percentage increase in sales, represents an area where with the aid of timely reports from our computer we expect improvement in 1973.

In addition, \$275,774 was invested in capital goods. The allowance for amortization and depreciation was \$132,009 (up from \$91,487 in 1971).

A tax advantage in 1972 was available from the loss acquired with and carried forward by Westmount Air Conditioning Limited.

Agreements between our skilled field forces and our industry expire the end of April, 1973. There is considerable hope that reason will prevail and an early and just settlement will be reached without any interruption in the work in progress or any disruption of the current good relations between the union members and management.

Regrets

Directors

W. Z. Estey, Q.C. has been appointed a Judge in the Appeal Court of the Province of Ontario. This appointment represents a great gain for the Bench, and a loss for Beaver. Mr. Estey has served as a director of Beaver Engineering Limited for many years. He has been involved in a legal and advisory capacity since the company started in 1953. His counsel, advice and encouragement have contributed greatly to our progress. Our congratulations and most sincere heartfelt appreciation go with him as we reluctantly accept his resignation from our Board of Directors.

Lloyd A. Book retired as a full time employee and director on December 31, 1972, after more than five years as the Manager of the "Book" Division of Beaver. The company has retained Mr. Book in a consulting capacity.

Officers

W.G. Woodcock, P. Eng. who served as Vice President, Marketing resigned to enrol at Osgoode Hall as a law student. Our best wishes go with him in his new field.

Manager

It is with deep regret that we report the untimely death in February of 1973, after several months' illness, of John B. Nickel, Manager of our Hamilton Branch.

Distribution

Beaver has searched through the North American market for many months for a suitable line of roof mounted heating and/or cooling units. We were looking for products of very high quality, great flexibility and with premium features.

We are pleased to report that we have found such equipment and have acquired the exclusive right to distribute the line throughout Canada.

As an indication of its ready acceptance in the market place, in our first three months of selling, we have obtained orders for installations on the following projects:

Eaton's, "Horizon"	Markham-Eglinton Mall . .	Markham
Eaton's, "Horizon"	Rockwood Mall	Mississauga
Simpsons-Sears	A.C.R. Shopping Centre . .	Sault Ste. Marie
Simpsons-Sears	Georgian Mall	Barrie
F.W. Woolworth Store		Leamington
Woolco Department Store . .	Dufferin Plaza	Toronto
Zeller's Store		Galt

Manufacturing

Within our 1972 manufacturing program, the most significant product has been the complete prefabricated mechanical equipment rooms for an Eaton's Department Store.

The advantages in terms of saving floor space, uniformity and quality of product, and shortening of construction schedules, are obvious. We believe there will be a move by knowledgeable buyers to this type of approach to serve larger one and two story structures.

Last year we capitalized the organization and start-up costs of this department in the amount of \$47,148. This year 50% of this was written off, and the balance will be written off in 1973.

Dividend

Our third and fourth dividends in the amount of 7c each were declared and paid (14c per share) in 1972.

Transfer Agents

At the request of some shareholders, we have reinstated share transfer points at Vancouver, Calgary, Winnipeg, and Halifax as well as the Toronto office of Canada Permanent Trust Company, effective as of April 1st, 1973.

Outlook

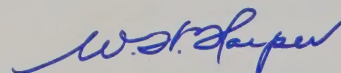
The outlook for 1973 for Beaver Engineering Limited is very bright. With our anticipated Wholesale and predictable Service business representing over 50% of 1972 business, together with a backlog of orders in hand of approximately three million dollars at December 31, 1972, and our strong bookings in the first two months of 1973, we are looking forward to a significant increase in overall business coincident with an improvement in net profit.

In Appreciation

Your Directors wish me to express their most sincere appreciation . . .

- to our valued Customers who continue to permit us to serve them;
- to our Employees for the dedicated manner they serve our Customers;
- to our Suppliers for helping with excellent service and quality goods;
- to our Shareholders for their support and confidence.

Finally, I would like to thank the Directors of Beaver Engineering Limited for their valued support and guidance.



March 9, 1973

W. H. Harper
President



ENGINEERING

The balance sheet of a company embraces its fluid and fixed assets. However, the true heart and health of a company is a function of its people assets.

The measure of difference between companies is in the people and their integrity, devotion and skill, coupled with their desire to serve to your satisfaction. Beaver Engineering Limited is extremely rich in terms of knowledgeable, dedicated, experienced people.

This very brief description of the various fields of our activity also illustrates some of the people of whom we are so proud. We would appreciate the opportunity to serve you.



ENGINEERING

Beaver Engineering Limited — a Canadian company formed in 1953, is engaged in all aspects of the heating, ventilating and air conditioning business. Our activities embrace the design, installation and service of all types of heating, ventilating, refrigeration and air conditioning systems. In addition, the company manufactures complete prefabricated mechanical equipment rooms and specialized systems for particular applications. Certain products are handled as a representative and a complete line of industrial piping and heating supplies is offered on a wholesale basis to industry.



Bill Harper, President, reviews forward planning with Colin Hersh and Jim Attwood.

Engineering Capability

Engineering knowledge and experience is a prerequisite to satisfactorily designing, applying, installing and servicing the products and systems involved in this industry. Recognizing this, Beaver has built its organization on a solid technical foundation, and now employs well over twenty professional engineers, aided by designers, draftsmen and processors as well as construction and service technicians and specialists.

We have the largest complement of competent engineering people with the greatest experience gained by concentrating on all aspects of this highly technical specialized field of endeavor.



The design for a new project is studied by Jan Foltynski, Jim Attwood and Tony Dallaway.

Marketing

The Marketing and Sales Group concentrate on supplying on an installed, guaranteed basis, the heating, cooling, ventilating and refrigeration requirements for industrial, institutional and commercial spaces. A proportion of the work undertaken is of a complete design—build nature, but some is also carried out in conjunction with, or under the direction of, consulting engineering organizations.

Projects of interest to this group cover a wide range of applications:-

Retail Space

from a small store, through a large department store to a complete shopping centre complex;

Offices

from a private office to a ten story building;

Institutions

from a hospital operating room to a complete community college;

Industrial

from the requirements of a small plant to the complete and very specialized environmental needs of plastic, pharmaceutical, photographic, textile and a myriad of other industrial processes;

Residential

from a single room to a complete mansion, total comfort for all.



Mike Williamson, responsible for the Company's marketing activities.

Construction

Our Construction Department performs and/or controls all of our shop and field construction activity. We have prime union agreements with refrigeration workers, sheet metal workers, pipe fitters and electricians with augmenting agreements with many locals at different locations.

The company has a modern, power equipped sheet metal shop in Toronto, with mobile equipment for almost any job site requirement.

While this department has the construction capability for virtually all of Beaver's contract work, where it is not disadvantageous to our customer and has some possible benefit to Beaver, we frequently subcontract some of our field services. In these instances, however, we supervise the subcontracted work, and ensure that the execution of it is completely up to our standards and specifications in all ways.

The department is responsible for the execution of certain "plan and specification" work designed by architects and consulting engineers, occasionally quoted by our Marketing group.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	<u>1972</u>	<u>1971</u>
Sales	\$ 9,965,283	\$ 7,938,226
Cost of sales, selling, administrative and other expenses, exclusive of the items listed below	9,182,005	7,248,075
Depreciation and amortization	132,009	91,487
Interest on long-term debt (Note 3)	10,389	10,971
	<u>\$ 9,324,403</u>	<u>\$ 7,350,533</u>
Earnings for the year before taxes	640,880	587,693
Provision for income taxes	293,634	282,795
Net earnings for the year	<u>\$ 347,246</u>	<u>\$ 304,898</u>
Earnings per share	<u>\$ 0.58</u>	<u>\$ 0.51</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	<u>1972</u>	<u>1971</u>
Retained earnings, beginning of year	\$ 1,587,928	\$ 1,367,310
Net earnings for the year	347,246	304,898
	<u>\$ 1,935,174</u>	<u>\$ 1,672,208</u>
Less: Dividends	84,297	84,280
Retained earnings, end of year	<u>\$ 1,850,877</u>	<u>\$ 1,587,928</u>



ENGINEERING

BEAVER ENGINEERING LIMITED AND SUBSIDIARIES

(Incorporated under the Laws of Ontario)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at December 31, 1972

(with comparative figures for 1971)

	<u>1972</u>	<u>1971</u>
Current Assets		
Cash and short term deposits	—	\$ 380,343
Accounts receivable	\$ 1,923,580	1,731,673
Inventory at the lower of cost and net realizable value	664,966	240,446
Costs and estimated earnings in excess of billings on uncompleted contracts	392,213	241,063
Prepaid expenses	14,191	4,101
	<u>2,994,950</u>	<u>2,597,626</u>
 Deduct:		
Current Liabilities		
Bank Indebtedness — secured	150,721	—
Accounts payable and accrued charges	1,073,734	945,846
Income taxes	96,181	121,690
Allowance for warranties	41,328	39,425
Deferred income on service contracts	171,044	138,066
	<u>1,533,008</u>	<u>1,245,027</u>
Working Capital	<u>1,461,942</u>	<u>1,352,599</u>
 Add:		
Fixed assets at cost, less depreciation (Note 2)	1,069,275	901,511
Deferred charges	23,149	47,148
Goodwill at cost	66,954	66,954
	<u>2,621,320</u>	<u>2,368,212</u>
 Deduct:		
Long-term debt (Note 3)	169,767	179,898
Shareholders' Equity	<u>\$ 2,451,553</u>	<u>\$ 2,188,314</u>
 Represented by:		
Share capital (Note 4)		
Authorized		
1,200,000 shares without par value		
Issued and fully paid		
602,150 shares without par value	\$ 600,676	\$ 600,386
Retained earnings	1,850,877	1,587,928
	<u>\$ 2,451,553</u>	<u>\$ 2,188,314</u>

ON BEHALF OF THE BOARD

W. H. HARPER, *Director*; J. L. ATTWOOD, *Director*

BEAVER ENGINEERING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1972
 (with comparative figures for 1971)

Source of funds	1972	1971
From operations		
Net earnings for the year	\$ 347,246	\$ 304,898
Depreciation and amortization	132,009	91,487
Miscellaneous	—	875
	<u>479,255</u>	<u>397,260</u>
Issue of share capital	290	1,740
	<u>479,545</u>	<u>399,000</u>
Application of funds		
Purchase of fixed assets — net	275,774	199,607
Debt repayment	10,131	9,550
Organization and start-up costs of new operating department, deferred	—	47,148
Dividends	84,297	84,280
	<u>370,202</u>	<u>340,585</u>
Increase in working capital	<u>\$ 109,343</u>	<u>\$ 58,415</u>

AUDITORS' REPORT

The Shareholders,
 BEAVER ENGINEERING LIMITED.

We have examined the consolidated statement of financial position of Beaver Engineering Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
 March 2, 1973.

TOUCHE ROSS & Co.
 Chartered Accountants.



ENGINEERING

BEAVER ENGINEERING LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 1972

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements reflect the accounts of the wholly-owned subsidiaries on the following bases:

<u>Subsidiary</u>	<u>Assets and Liabilities Included as at</u>	<u>Earnings and Expenses Included for the</u>
Avron Air Conditioning Limited	December 31, 1972	13 months ended December 31, 1972
Avron Gas Services Limited	December 31, 1972	13 months ended December 31, 1972
Westmount Air Conditioning Limited	November 30, 1972	Year ended November 30, 1972

The accounts of Avron Air Conditioning Limited and Avron Gas Services Limited reflect the change of year-end for both companies from November 30 to December 31 for which consent was obtained during the year.

The inclusion of the thirteenth month for each of these subsidiaries did not materially affect the consolidated earnings of the company.

2. FIXED ASSETS

	1972	1971
Fixed assets at cost		
Land and building	\$ 743,332	\$ 720,248
Machinery and equipment	277,622	155,846
Vehicles	298,658	194,964
Furniture and fixtures	120,563	107,423
Leasehold improvements	12,766	4,610
	<u>1,452,941</u>	<u>1,183,091</u>
Less accumulated depreciation and amortization	383,666	281,580
	<u>\$1,069,275</u>	<u>\$ 901,511</u>

3. LONG-TERM DEBT

Long-term debt is secured by a 6% mortgage on the building, repayable in monthly instalments of \$1,710 combined principal and interest, with the balance maturing in 1984.

4. SHARE CAPITAL AND STOCK OPTIONS

During the year 50 shares were issued for cash at \$5.80 per share under the Company's stock option plan.

At December 31, 1972, 27,850 shares were reserved under the stock option plan, of which the following remain allocated, exercisable at \$5.80 per share:

<u>Number of Shares</u>	<u>Year Granted</u>	<u>Year Expiration</u>
8,700	1969	1974
6,250	1971	1976

5. DIRECTORS' AND SENIOR OFFICERS' REMUNERATION

The aggregate remuneration paid or payable by the Company to the directors and senior officers during the year ended December 31, 1972 amounted to \$182,834.



Charles Rayson presents his construction program to Elmer Strongitharm.

Service Division

Beaver's Service Division is one of the largest and most efficient in this industry on the continent. It has been developed by carefully selecting competent, conscientious men either as journeymen or apprentices and by continuously training, encouraging and upgrading the quality of our workmanship and the calibre of our service personnel. In the trade, it is acknowledged that to work at Beaver, you must be among the very best.

Each mechanic has a service truck fully stocked with spare or replacement parts and completely equipped with the specialized tools of this trade. Our customers pay for this man's services. However, some of the backup facilities provided by Beaver to minimize costs and retain our high efficiency are:

- i) Territorial service supervisors with years of experience with Beaver to inspect, assist, analyze difficult problems, and direct the work to complete the cure.
- ii) A technical director responsible for training our field personnel.
- iii) Engineering backup — and it's required because frequently service men are attempting to tune up equipment to do an impossible job because it was either improperly applied or incorrectly installed.



A new service contract sold by Ray Walduck receives the stamp of approval from Tony King.

- iv) Our recording system containing equipment data, service history and the names of Beaver mechanics familiar with the installation, all readily available to the service dispatchers.
- v) Service shop facilities with machines, tools, instruments and parts to service, repair and/or rebuild most refrigeration and air conditioning equipment.

We provide service at competitive rates for materials and labour charges. No one but Beaver offers as much in experience and backup facilities at no extra cost to the customer.

Service is available on a "call" basis, or under a "Beaver Programmed Service Contract", or a "Beaver Programmed Maintenance Contract" individually tailored in each instance to the needs of the customer.

GOOD SERVICE DOESN'T COST — IT PAYS



Customers' service records readily available to our staff in the Toronto Service office.

Branches

To render better service to Beaver customers, we have undertaken to extend our operations to Branch locations whenever the available volume of business warrants such a move. At the moment, we have branch offices in Dartmouth, N.S., Moncton, N.B., and in Ontario — Ottawa, Kingston, Sudbury, Hamilton, Brantford, Kitchener, London, Windsor and Sarnia.



Gerry Blair, in charge of all Service and Branch operations.

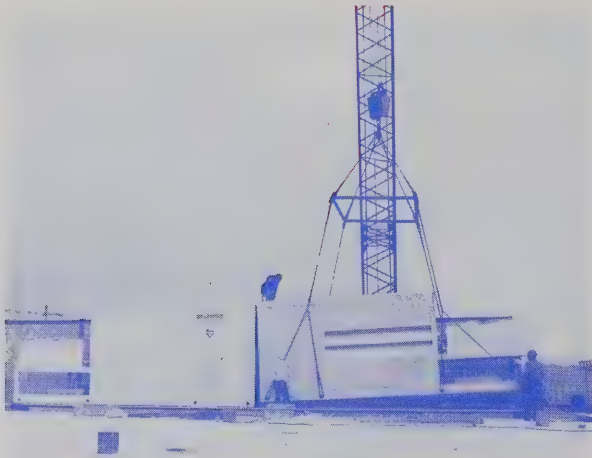
Manufacturing

The Manufacturing section of Beaver concentrates on the design and shop assembly of specialized units and products for particular purposes, where the proper equipment for the project is not commercially available.

Products include custom built chillers, E.D.P. and laboratory air conditioners, crane cab coolers, and complete shop assembled mechanical equipment rooms.

Product Sales

Beaver is the Canadian distributor for a line of high quality roof top heating and air conditioning units manufactured in the U.S.A. under the name Temperature Control, Inc.



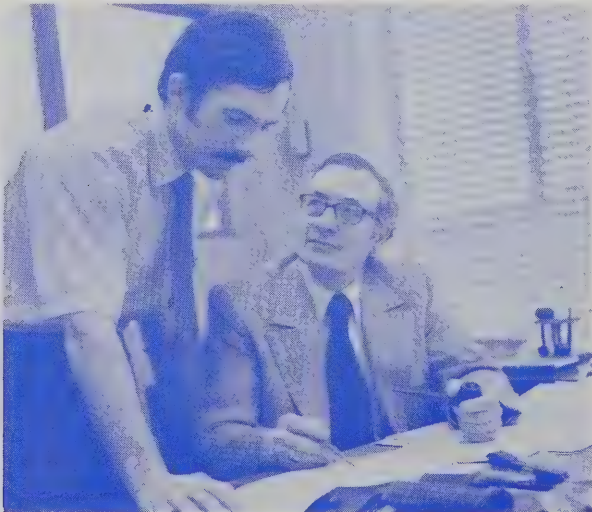
A large Beaver designed and shop fabricated mechanical equipment room being set in place beside its twin on the roof of a new department store.

Wholesale Division

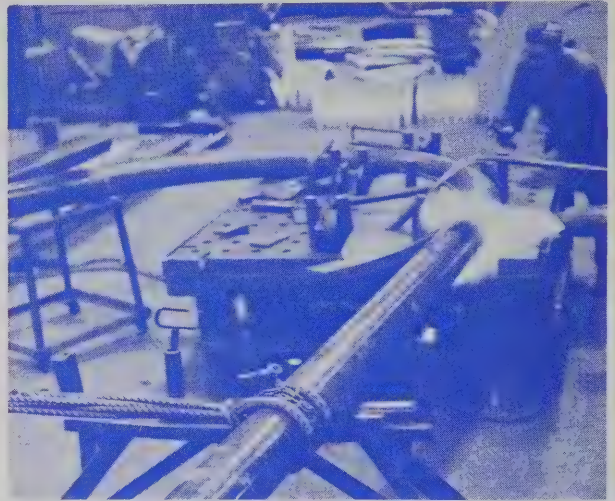
Beaver Wholesale Division services industry by stocking, supplying and delivering their total requirements for pipe, valves, fittings, hand and power tools, and mechanical specialty items.

Beaver distributes to industry and the trade certain quality materials and products. Among these items are Johnson & Johnson viskon-aire filters, Beaver mat filters, Honeywell Controls, electronic air cleaners, Carrier room air conditioners, Belair air conditioning and refrigeration equipment, Pullman built-in vacuum systems, and many tools including Ridgid pipe tools and Wolf power tools.

This division has a machine shop facility to cut and thread pipe to order as well as a pipe-tube shop which will bend and fabricate piping assemblies to exacting specifications.



Earle Kelley discusses a wholesale supply order with Bill Mooney.



Pipe bending to a customer's specifications in our pipe-tube shop.

Gas Services Division

In 1970, Beaver acquired a company, Avron Gas Services Limited, that was dedicated to the installation and service of gas burning appliances and devices. This activity will now be carried on as a division of Beaver and the company business will be totally integrated into Beaver early in 1973.

Beaver Gas Services Division supplies authorized service to Consumers' Gas customers in a large area of Metro (about $\frac{1}{3}$) involving approximately 80,000 gas meters.

In addition to service, the company installs gas water heaters, furnaces, boilers, barbecues, gas lights and other gas burning appliances.



David Gold plans work schedules for the Gas Services Division.



ENGINEERING

FIVE YEAR SUMMARY

	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u> ⁽¹⁾
Operations (in thousands of dollars)					
Sales	\$9,965	\$7,938	\$8,569	\$6,360	\$5,343
Net Earnings	347	305	429	321	246

Common Stock (based on 602,150 shares outstanding)

Earnings per share	.58	.51	.71	.53	.41
Dividends per share	.14	.14	0	(2)	(2)
Book Value per share	4.07	3.63	3.26	2.42	0.96

Balance Sheet (in thousands of dollars)

Facilities — Net	1,069	902	793	737	116
Depreciation Provided	132	91	67	53	22
Purchase of Fixed Assets	276	200	99	674	52
Working Capital	1,462	1,353	1,294	856	396
Shareholders' Equity	2,452	2,188	1,966	1,462	579

- (1) Completed contract basis. All other sales are shown as a percentage of completion basis.
- (2) Dividends were paid in these years, but they were applicable to the shares of the predecessor corporations prior to the statutory amalgamation which formed Beaver Engineering Limited in 1969.



ENGINEERING

DIRECTORS

William H. Harper, P. Eng., *Chairman of the Board*
James L. Attwood, P. Eng., *Toronto, Ont.*
Charles E. Bell, P. Eng., *Toronto, Ont.*
Lawrence L. Bell, *Toronto, Ont.*
Gerald E. Blair, P. Eng., *Mississauga, Ont.*
Lloyd A. Book, *Brantford, Ont.*
Willard Z. Estey, Q. C., *Toronto, Ont.*
Colin Hersh, P. Eng., *Toronto, Ont.*
William L. Rootham, P. Eng., *Milwaukee, Wisc.*

OFFICERS

William H. Harper, P. Eng., *President*
James L. Attwood, P. Eng., *Executive Vice President*
Colin Hersh, P. Eng., *Executive Vice President*
Gerald E. Blair, P. Eng., *Vice President*
Robert J. Reynolds, C.A., *Vice President & Secretary*

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company
Toronto, Halifax, Winnipeg, Calgary
and Vancouver

AUDITORS

Touche Ross & Co., Chartered Accountants
Toronto, Ontario

HEAD OFFICE

70 Queen Elizabeth Blvd.
Toronto, Ontario
416-255-1331

WHOLESALE DIVISION

45 Cranfield Road
Toronto, Ontario
416-759-5621

SALES AND/OR SERVICE BRANCHES

BRANTFORD, Ont.
519-753-3118

DARTMOUTH, N.S.
902-463-9494

HAMILTON, Ont.
416-561-5231

KINGSTON, Ont.
613-542-6212

KITCHENER, Ont.
519-578-7820

LONDON, Ont.
519-455-8180

MONCTON, N.B.
506-855-1850

OTTAWA, Ont.
613-236-7627

SARNIA, Ont.
519-337-8601

SUDBURY, Ont.
705-674-8854

WINDSOR, Ont.
519-969-3383

CONSOLIDATED SUBSIDIARIES

Avron Gas Services Limited
45 Cranfield Road, Toronto
416-751-8953

Avron Air Conditioning Limited
Westmount Air Conditioning Limited



ENGINEERING

HEAD OFFICE: 70 QUEEN ELIZABETH BLVD.,
TORONTO, ONTARIO M8Z 1M4

ITEMS OF INTEREST

Manufacturing - We have completed and shipped in July four large prefabricated equipment rooms to serve the Eaton's Department Store at Eastgate Shopping Centre in Hamilton. This new concept has been extremely well received and we anticipate a wide scale acceptance of this approach to future projects.

Wholesale Division - We are pleased to announce that Mr. Earle J. Kelley has joined Beaver to become the General Manager of our Wholesale business. Mr. Kelley has had 35 years experience in this field with McAvity Valve Company and later with the Crane Company.

Service Division - In spite of cooler than normal June, our service business during the first six months was ahead of last year.

Product Sales - We have been awarded the rights to distribute Pullman Built-In Vacuum systems throughout Canada. This presents a very compatible product to augment residential air conditioning sales for any contracting organization subjected as they are to seasonal fluctuations in business. Pullman are the largest manufacturer of this type of equipment in the U.S.A.

Commercial Division - The activity in developing new shopping centres, extending or renovating existing ones still seems to be very brisk. We are involved in the heating, ventilating and air conditioning for a large number of such projects.

Subsidiary Companies - Both Avron Gas Services Limited, and Avron Air Conditioning Limited are making progress. The rather cool summer has held up some of the spontaneous residential work which usually accompanies a period of hot weather.

Other Pertinent Information

	<u>1972</u>	<u>1971</u>
Orders booked during the period	<u>\$ 4,415,000</u>	<u>\$ 4,140,500</u>
Backlog at June 30th	<u>\$ 2,532,000</u>	<u>\$ 2,215,000</u>
Dividends declared and paid	<u>\$ 42,147</u>	<u>\$ 42,133</u>



Interim Report

For The Six Months Ending

June 30, 1972

HEAD OFFICE: 70 QUEEN ELIZABETH BLVD.,
TORONTO 550, ONTARIO.

To Our Shareholders:

This report covers operations for the six months ended June 30, 1972 compared to the same period in 1971.

Our subsidiary companies' operations are included for the first six months of their fiscal periods which end May 31, 1972. In addition, we have included the results of the operation of our new Wholesale Division from the date of its acquisition early in May.

During the first six months of 1972, as compared to 1971, our sales were up by 20%, net earnings by 25%, orders booked by 7% and backlog as of June 30 by 14%.

The month of July also reflects increased sales and bookings over the comparable period of 1971.


We have just opened a new office in Halifax to better serve our customers in the Maritime Provinces.

The Wholesale Division is exceeding our expectations, and should make a more noticeable contribution during the next six months.

Prospects in terms of planned projects which are of a type for which our company is particularly well suited seem very good now and on into the foreseeable future. In terms of sales and profit, the last six months of the year are always expected to exceed the first six months' results, and in 1972 this should certainly be the case.

Yours very truly,

BEAVER ENGINEERING LIMITED


W. H. Harper
President

August 10, 1972

CONSOLIDATED STATEMENT OF EARNINGS AND
SOURCE AND APPLICATION OF FUNDS (unaudited)

For The Six Months Ended June 30th 1972 1971

Sales	\$ 4,187,112	\$ 3,493,048
Cost of Sales and Operating Expenses - exclusive of the items listed below	\$ 3,823,408	\$ 3,199,085
Depreciation and amortization	46,228	46,860
Interest on long-term debt	5,269	5,556
	<u>\$ 3,874,905</u>	<u>\$ 3,251,501</u>
Operating Profit	\$ 312,207	\$ 241,547
Other Income	<u>13,771</u>	<u>15,344</u>
Earnings for the period before taxes	\$ 325,978	\$ 256,891
Provision for income taxes	<u>163,000</u>	<u>126,615</u>
NET EARNINGS for the period	<u>\$ 162,978</u>	<u>\$ 130,276</u>
Source of Funds		
From operations		
Net earnings as above	\$ 162,978	\$ 130,276
Depreciation, amortization and other charges not requiring the outlay of funds	<u>58,227</u>	<u>47,046</u>
	\$ 221,205	\$ 177,322
Issue of share capital	<u>---</u>	<u>1,740</u>
	\$ 221,205	\$ 179,062
Application of Funds		
Purchase of fixed assets	\$ 131,022	\$ 108,990
Debt repayment	4,990	5,005
Dividends	<u>42,147</u>	<u>42,133</u>
	\$ 178,159	\$ 156,128
Increase In Working Capital	<u>\$ 43,046</u>	<u>\$ 22,934</u>
Working Capital at June 30th	<u>\$ 1,395,645</u>	<u>\$ 1,315,579</u>
Earnings per share (based upon 602,100 shares outstanding)	<u>27.1¢</u>	<u>21.7¢</u>